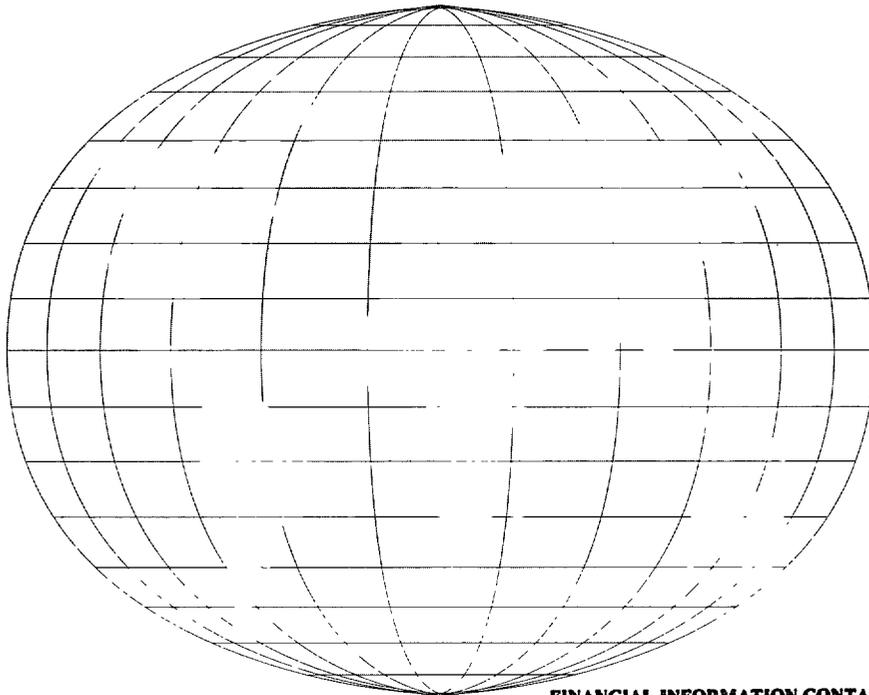


Report of Audit

**Financial Audit of the Water Policy Advisory Unit,
Expenditures Incurred Under Project Implementation
Letter No. 3 Under USAID/Egypt's Agricultural Policy
Reform Program (Project No. 263-0219)**

**Report No. 6-263-00-006-N
June 21, 2000**



**FINANCIAL INFORMATION CONTAINED
IN THIS REPORT MAY BE PRIVILEGED.
THE RESTRICTION OF 18 USC 1905 SHOULD
BE CONSIDERED BEFORE ANY INFORMATION
IS RELEASED TO THE PUBLIC.**

**Regional Inspector General
Cairo, Egypt**

**OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



CAIRO, EGYPT

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF REGIONAL INSPECTOR GENERAL

Report No. 6-263-00-006-N
June 21, 2000

MEMORANDUM

TO : DIRECTOR USAID/Egypt, Richard M. Brown

FROM: RIG/Cairo, Darryl T. Burris *D.T. Burris*

SUBJECT: Financial Audit of the Water Policy Advisory Unit, Expenditures Incurred Under Project Implementation Letter No. 3 Under USAID/Egypt's Agricultural Policy Reform Program (Project No. 263-0219)

The attached report, transmitted on June 7, 2000, by Mohamed Hilal & Co., presents the results of a financial audit of the Water Policy Advisory Unit (the Unit) related to expenditures under the subject project implementation letter (PIL). The PIL provided funding to establish a Water Policy Advisory Unit to assist in achieving policy reforms related to water resources management.

We engaged Mohamed Hilal & Co. to perform a financial audit of USAID/Egypt resources managed by the Unit related to expenditures under PIL No. 3. Expenditures subject to the audit included \$345,519 (equivalent to LE 1,174,765) during the period May 1, 1997 through June 30, 1999. The purpose of the audit was to evaluate the propriety of costs incurred during this period. Mohamed Hilal & Co. also evaluated the Unit's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

The audit report questioned a total of \$29 (equivalent to LE 99) in ineligible sales taxes billed to USAID/Egypt under PIL No. 3. The auditors noted no material weaknesses in the Unit's internal control structure, and no material instances of noncompliance with applicable laws, regulations, and agreement terms. Also, the auditors review did not identify any reportable conditions related to the Unit's cost sharing contribution.

U.S. Mailing Address
USAID-RIG Unit 64902
APO AE 09839-4902

Tel. (202)516-5505
Fax(RIG/A): (202)516-2530
Fax(RIG/I): (202)516-5316

USAID
Zahraa El-Maadi
Maadi, Cairo, Egypt

B

In response to the draft report, Unit officials agreed to the finding on sales taxes and refunded the amount due to USAID on June 6, 2000.

No response is required from USAID/Egypt since no recommendations were included in the Office of Inspector General's recommendation follow-up system. Thank you for the cooperation and assistance extended to the audit staff on this engagement and your continued support of the financial audit program in Egypt.

Attachment: a/s

C



**Audit of USAID Resources
Managed by
Water Policy Advisory Unit
under Project Implementation
Letter No. 3, USAID/ Egypt
Project No. 263-0219,
For the Period from
May 1, 1997 through June 30, 1999**



Audit of USAID Resources Managed by the Ministry of Water Resources
and Irrigation (MWRI) / Water Policy Advisory Unit (WPAU), under
Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No.
263-0219,
For the period from May 1, 1997 through June 30, 1999.

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June 7, 2000

To: Mr. Darryl T. Burris
Regional Inspector General/Cairo
United States Agency for International Development
Cairo, Egypt

Dear Mr. Burris,

This report presents the results of our financial audit of the United States Agency for International Development (USAID) resources managed and the expenditures incurred by the Ministry of Water Resources and Irrigation / Water Policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219, during the period from May 1, 1997 through June 30, 1999.

Background

The objective of this project is to assist the Government of Egypt in developing, carrying out, monitoring and evaluating it's agricultural policy reform program and, through PIL No.3, enhance policies to promote more efficient use of water in Egypt that will ultimately result in promoting the Agricultural Policy Reform Program.

The USAID and the Ministry of Water Resources and Irrigation (MWRI) cooperated to implement a results package program to develop policy recommendations that will assist the GOE in improving the efficiency and productivity of it's water resources. Such cooperation was in the form of:

- Assembling a team of Egyptian and Expatriate Specialists within the framework of the Environmental Policy and Institutional Strengthening Indefinite Quantities Contract (EPIQ), to assist MWRI in achieving Policy and Institutional Reforms that arise from technical analysis of pertinent water resources issues.
- Establishment of a Water Policy Advisory Unit in the MWRI through the USAID Project Implementation Letter (PIL) No. 3 dated 12/2/1996 of which its major objective is to assist in achieving policy reforms related to water resources management and use to work in conjunction with the GOE efforts to reform agricultural production.



The WPAU responsibilities include, but is not limited to, the following:

1. Serves as a decision support unit: The initial responsibility of the WPAU is to review strategies and make policy recommendations to MWRI. It also serves as a decision support unit for the Minister's Office.
2. Coordination of activities: A second major role is to coordinate all special studies, evaluations and audits carried out on the Water Resources Results Package under the Agriculture Policy Reform Project (APRP).
3. Ensure Satisfactory Progress on Results: Through coordinating the APRP water policy activities with the steering committee, the water policy technical assistance, the program management unit (PMU), and other APRP technical assistance units.
4. Monitoring progress with the reform design and implementation and the monitoring, verification and evaluation contractors, following up the progress, identifying operational constraints to the progress of activities and working them out with other project entities.
5. Proposing and overseeing the accomplishments of the water related policy Benchmarks (Goals).
6. Building consensus and commitment for new policies by working with other related ministries to coordinate policy reforms.
7. Ensure that documentation required for obtaining GOE owned local currency is properly prepared, processed and payment is made on a timely basis.
8. Work with various USAID sponsored special teams to assist logistics and arrangements for key meetings as requested.

PIL No. 3 was amended four times through June 30, 1999. The total commitment as of June 30, 1999 was \$566,868 (equivalent to LE. 1,927,350).

Audit Objectives and Scope

The objective of this engagement was to conduct a financial audit of USAID resources managed by the Ministry of Water Resources and Irrigation (MWRI), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219, during the period from May 1, 1997 through June 30, 1999.

The specific objectives of this audit were to:

1. Express an opinion on whether the Fund Accountability Statement for PIL No. 3, USAID/Egypt Project No. 263-0219, presents fairly, in all material respects, project funds received and costs incurred for the period under audit in conformity with generally accepted accounting principles or another comprehensive basis of accounting;



2. Determine if the costs reported as incurred under the PIL are in fact allowable, allocable, and reasonable in accordance with the term of the agreement;
3. Evaluate and obtain a sufficient understanding of the internal control structure of the recipient, assess control risk, and identify reportable conditions including material internal control weaknesses;
4. Perform tests to determine whether the recipient complied, in all material respects, with the PIL terms, cost sharing and applicable laws and regulations;
5. Determine if the recipient has taken corrective actions on prior audit report recommendations.

The preliminary planning and review procedures started on February 27, 2000 and consisted of the following actions:

- Meeting with the Regional Inspector General officials in Cairo (RIG/Cairo), the Project Officer, the USAID Audit Liaison and the recipient's management to gain an understanding about the project activities and ascertain any concerns that should be addressed in our audit.
- Understanding the recipient's operation, including its organizational structure, and the external and internal factors affecting its operation.
- Identifying significant accounts and accounting applications, the important budget line items, significant provisions of laws and regulations and relevant controls over the recipient's operations.
- Performing a preliminary risk assessment to identify high-risk areas sample size.

The fieldwork segment of our audit commenced on April 16, 2000 and was completed on May 7, 2000. The scope of our work was to audit costs incurred by WPAU and reimbursed by USAID/Egypt under PIL No. 3 during the period from May 1, 1997 through June 30, 1999. The scope of work also included review of cost sharing contribution.

Our audit included an examination of costs incurred in the WPAU during the period from May 1, 1997 through June 30, 1999. It also included an examination of the funds received from USAID during the same period, and reconciliation of the fund balance as of June 30, 1999 with the recipient's cash balance.

Within each budget line item, we selected transactions on a judgmental basis to perform a substantive test of details. The total expenditures tested was \$171,325 (equivalent to L.E. 582,504) out of total expenditures of \$345,519 (equivalent to LE 1,174,765) which represents a coverage of 50% of the total expenditures incurred during the audited period. Project costs incurred and tested were converted to U.S. dollars at the applicable exchange rate.



Our tests of expenditures included but were not limited to the following:

1. Reconciling WPAU accounting records to invoices issued to USAID/Egypt and testing costs for allowability, allocability, reasonableness and adequate supporting documentation;
2. Determining whether the costs incurred by WPAU and funded by USAID/Egypt were appropriate, consistent with the terms of the PIL and applicable rules and regulations and adequately supported;
3. Testing the adequacy of WPAU internal controls to reasonably assure that:
 - Assets funded by USAID were safeguarded against loss from unauthorized acquisition, use or disposition;
 - Transactions were executed in accordance with the approved budget and significant provisions of applicable laws and regulations and;
 - Transactions were properly recorded, processed and summarized to permit the preparation of the fund accountability statement and to maintain accountability of the project's assets.
4. Reviewing cost sharing schedule and determining whether cost sharing contributions were provided and accounted for by the recipient in accordance with terms of agreement.

Results of Audit

Fund Accountability Statement

Our audit identified total questioned costs of \$29 (equivalent to L.E. 99), which represents ineligible costs.

Internal Control Structure

Our audit did not identify any material weakness related to the internal control procedures. We noted certain other matters involving the internal control structure which we have reported to the WAPU management in a separate management letter dated May 7, 2000.

Compliance with Laws and Regulations

Our audit identified no instances of noncompliance with agreement terms and applicable laws and regulations.



Review of Cost Sharing Contribution

Our review did not identify any reportable condition related to the recipient's Cost Sharing Contribution.

Follow up on Prior Audit Recommendation

We did not perform follow up on prior audit recommendation, as there was no previous audit performed. The FAST Office reviewed the expenditures incurred during the period from June 1997 to September 1997 and identified 3 internal control findings. We have considered these findings in performing our audit and we noted that recommended action had been implemented.

Management Comments

WPAU management comments have been obtained and are included in Appendix A of this report. In response to WPAU management's comments we have either adjusted the final report or provided further clarification of our position in Appendix B of this report.

This report is intended for the information of the United States Agency for International Development and WPAU management and others within the organization. However, this report is a matter of public record and its distribution is not limited.

GTI -Mohamed Hilal & Co.,
Cairo, Egypt.

June 7, 2000

Report on the Fund Accountability Statement
Independent Auditor's Report

To: Mr. Darryl T. Burris
Regional Inspector General/Cairo
United States Agency for International Development
Cairo, Egypt

We have audited the accompanying fund accountability statement of the Ministry of Water Resources and Irrigation / Water Policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219, for the funds received and project costs incurred during the period from May 1, 1997 through June 30, 1999. The fund accountability statement is the responsibility of WPAU management. Our responsibility is to express an opinion on this statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the fund accountability statement. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of Government Auditing Standards because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the GTI worldwide internal quality control program. This program requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other GTI offices.



As described in Note 2, the accompanying fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As detailed in the accompanying fund accountability statement and as more fully described in Note 5 thereto, the result of our tests disclosed total questioned costs of \$29 (equivalent to L.E. 99), which represents ineligible costs.

In our opinion, except for the effects of the questioned costs, the fund accountability statement referred to in the first paragraph, presents fairly, in all material respects, WPAU fund balance as of June 30, 1999 and its funds received and costs incurred during the period from May 1, 1997 to June 30, 1999, on the basis of accounting described in Note 2.

In accordance with Governmental Auditing Standards, we have issued two separate reports both dated May 7, 1999, the first on WPAU internal control structure and the second on its compliance with laws and regulations.

This report is intended for the information of the United States Agency for International Development and WPAU management and others within the organization. However, this report is a matter of public record and its distribution is not limited.

GTI -Mohamed Hilal & Co.,
Cairo, Egypt.

May 7, 2000

Ministry of Water Resources and Irrigation (MWRI)
 Water Policy Advisory Unit
 Project No. 263-0219
 Pil No. 3

Fund Accountability Statement

May 1, 1997 to June 30, 1999

Total USAID/Egypt Funds Received

\$414,010

<u>Expenditures Elements</u>	<u>Total Budget</u>	<u>Actual Expenditures</u>	<u>Questioned Costs</u>		<u>Finding No.</u>
		<u>From Inception to 6/30/99</u>	<u>Ineligible</u>	<u>Unsupported</u>	
Long / Short Term Policy Advisors	\$285,291	\$196,126			
Admin. Support Staff	81,081	63,212			
Travel & Per Diem	39,917	6,741			
Other Support Costs	24,332	9,562	\$21		1
Communication	28,851	1,333	4		1
Office Supplies	12,190	4,296	4		1
Equipment	95,206	64,249			
Total	\$566,868	\$345,519	\$29	\$0	
Fund Balance		\$68,491			

* The accompanying notes are integral part of this fund accountability statement.





Audit of USAID Resources Managed by the Ministry of Water Resources and Irrigation (MWRI) / Water policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219.

Notes to the Fund Accountability Statement

For the period from May 1, 1997 through June 30, 1999

Note 1 - Scope of Statement:

The fund accountability statement is the representation and the responsibility of WPAU management.

The "Total Budget" column represents the total budget amounts approved by USAID for WPAU, under PIL No. 3 from inception to June 30, 1999. The main budget categories are presented for reporting purposes only.

The "Actual Expenditures" column presents cumulative project costs incurred up to June 30, 1999.

The "Questioned Costs" columns represent audit results and are included in the fund accountability statement for presentation purposes only.

Note 2 - Basis of Accounting:

The fund accountability statement was prepared on the basis of cash receipts and disbursements. Consequently expenditures are recognized and considered incurred when they are actually paid.

Note 3 - Exchange Rate:

The project funds received and expenditures paid in Egyptian pounds (LE) have been converted to U. S. dollars (\$) at the exchange rate of LE 3.4 to \$1. The exchange rate used is the average exchange rate during the period from May 1, 1997 through June 30, 1999.



Note 4 – Fund Balance:

The fund balance represents the difference between funds received from USAID and costs incurred by WPAU during the period from inception to June 30, 1999.

	\$
Total Funds Received	414,010
Less:	
Total Costs Incurred	<u>(345,519)</u>
Fund Balance as of June 30, 1999	68,491

Note 5 – Questioned Costs:

The “Questioned Costs” columns represent the costs questioned during the period from May 1, 1997 through June 30, 1999. Questioned costs are presented in two separate categories. The “Ineligible” column represents the costs that are not program related, unreasonable, or prohibited by the agreement or applicable laws and regulations. The “Unsupported” column represents the costs that are not supported with adequate documentation. All questioned costs are detailed in the “Details of Questioned Costs” section of this report.



Audit of USAID Resources Managed by the Ministry of Water Resources
and Irrigation (MWRI) / Water policy Advisory Unit (WPAU), under
Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No.
263-0219.

Details of Questioned Costs

	Questioned Costs	
	<u>Ineligible</u>	<u>Unsupported</u>
Item Description	\$	\$
Finding 1		
During our audit we noticed that WPAU paid sales taxes from USAID fund and charged it to different line items. According to OMB Circular A122 Attach B. Section 46.a. sales taxes are unallowable costs. Therefore, we consider these amounts to be ineligible.	29	
Total Finding 1	<hr/>	<hr/>
	29	

Report on the Internal Control Structure
Independent Auditor's Report

To: Mr. Darryl T. Burris
Regional Inspector General/Cairo
United States Agency for International Development
Cairo, Egypt

We have audited the fund accountability statement of Ministry of Water Resources and Irrigation / Water Policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219, for the funds received and project costs incurred during the period from May 1, 1997 through June 30, 1999 and issued our report thereon dated May 7, 2000.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of Government Auditing Standards, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the GTI worldwide internal quality control program. This program requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other GTI offices.

The management of WPAU is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and in accordance with the terms and agreements; and transactions are recorded properly to permit the preparation of fund accountability statement in conformity with the basis of accounting described in Note 2 to the fund accountability statement. Because of the



inherent limitations in any internal control structure, errors or irregularities may, nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement described in the first paragraph, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under the standards established by the American Institute for Certified Public Accountants (AICPA). A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of WPAU in a separate letter dated May 7, 2000.

This report is intended for the information of the United States Agency for International Development and WPAU management and others within the organization. However, this report is a matter of public record and its distribution is not limited.

GTI -Mohamed Hilal & Co.,
Cairo, Egypt.

May 7, 2000.

Report on Compliance with Laws and Regulations
Independent Auditor's Report

To: Mr. Darryl T. Burris
Regional Inspector General/Cairo
United States Agency for International Development
Cairo, Egypt

We have audited the fund accountability statement of Ministry of Water Resources and Irrigation / Water Policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219, for the funds received and project costs incurred during the period from May 1, 1997 through June 30, 1999 and issued our report thereon dated May 7, 2000.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of Government Auditing Standards, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the GTI worldwide internal quality control program. This program requires our office to be subjected, every three years, to an extensive quality control review by partners and managers from other GTI offices.

Compliance with the agreement terms and laws and regulations applicable to WPAU is the responsibility of WPAU management. As part of obtaining reasonable assurance about whether the fund accounting statement is free of material misstatement, we performed tests of WPAU compliance with certain provisions of agreement terms and laws and regulations. However, the objective of our audit of the fund accountability statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.



The results of our tests indicated that, with respect to the items tested, WPAU complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that WPAU had not complied, in all material respects, with those provisions.

This report is intended for the information of the United States Agency for International Development and WPAU management and others within the organization. However, this report is a matter of public record and its distribution is not limited.

GTI -Mohamed Hilal & Co.,
Cairo, Egypt.

May 7, 2000.

Report on the Cost Sharing Schedule
Independent Auditor's Review Report

To: Mr. Darryl T. Burris
Regional Inspector General/Cairo
United States Agency for International Development
Cairo, Egypt

We have reviewed the accompanying cost sharing schedule of the Ministry of Water Resources and Irrigation / Water Policy Advisory Unit (WPAU) under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219, for the period from May 1, 1997 through June 30, 1999.

Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants (AICPA). The purpose of our review was to determine if cost sharing contributions were provided and accounted for in accordance with the terms of the agreement. We also considered the internal controls related to the provision of and accounting for cost share contributions.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is the expressing of an opinion on the cost sharing schedule. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that WPAU has not provided and accounted for cost sharing contributions in accordance with the terms of agreements.

This report is intended for the information of the United States Agency for International Development and WPAU management and others within the organization. However, this report is a matter of public record and its distribution is not limited.



GTI - Mohamed Hilal & Co.,
Cairo, Egypt.

May 7, 2000

Ministry of Water Resources and Irrigation (MWRI)
 Water Policy Advisory Unit
 Project No. 263-0219
 Pil No. 3

Cost Sharing Schedule
 May 1, 1997 to June 30, 1999

<u>Description</u>	<u>Budget</u>	<u>Actual Expenditures</u> <u>From Inception to</u> <u>6/30/99</u>	<u>Questioned Costs</u>		<u>REF.</u> <u>(NOTES)</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
Cash	\$0	\$0			
In-Kind	224,587	224,587			
Total	<u><u>\$224,587</u></u>	<u><u>\$224,587</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	

* The accompanying notes are integral part of this cost sharing schedule.





Audit of USAID Resources Managed by the Ministry of Water Resources and Irrigation (MWRI) / Water policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219.

Notes to the Cost Sharing Schedule

For the period from May 1, 1997 through June 30, 1999

Note 1 - Scope of Statement:

The cost sharing schedule is the representation and the responsibility of WPAU management.

The "Budget" column represents the total budget amounts provided by GOE as in kind contribution for WPAU, under PIL No. 3 from inception to June 30, 1999.

The "Actual Expenditures" columns identify the expenditures disbursed from GOE fund as In kind contribution to WPAU. The "As of 6/30/1999" column presents the cumulative disbursements from inception up to June 30, 1999.

The "Questioned Costs" columns represent review results and are included in the cost sharing schedule for presentation purposes only.

Note 2 - Basis of Accounting:

The cost sharing schedule was prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when they are actually received and expenditures are recognized and considered incurred when they are actually paid.

Note 3 - Exchange Rate:

The project funds received and expenditures paid in Egyptian pounds (LE) have been converted to U. S. dollars (\$) at the exchange rate of LE 3.4 to \$1. The exchange rate used is the average exchange rate during the period from May 1, 1997 through June 30, 1999.

Note 4 - In-Kind Contribution:

MWRI provides In-Kind contribution such as office space, payroll for GOE staff working with the WPAU, vehicle utilities and other operating and maintenance costs.

June 6th, 2000
Cairo, Egypt

Mr. Mohamed Hilal & Co.
Public Accountants
Member Firm of
Grant Thornton International

Dear Mr. Hilal:

Reference is made to your Draft Audit Report of USAID Resources Management by Water Policy Advisory Unit under Project Implementation Letter No. 3 Project No. 263-0219, for the period from May 1, 1997 through June 30, 1999.

Please be informed that we have forwarded the amount due as sales taxes (L.E. 99.10) to USAID. I would appreciate if you void the Exit Meeting accordingly.

I seize the opportunity to thank you for your help, patience and cooperation.

Best regards.

Yours Sincerely,



Eng. G. Mahmoud
Head of WPAU

C.C. Dr. Wadie Fahim



Audit of USAID Resources Managed by the Ministry of Water Resources and Irrigation (MWRI) / Water policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219.

Auditor's Comments

The WPAU management provided comments related to our draft report. In response to their comments, we reviewed their response provided by WPAU management. Please note that the finding reference used below corresponds to this used in our draft and final report.

I. Questioned Costs (Fund Accountability Statement)

Finding 1

WPAU management agreed with our finding. The ineligible amount of \$29 (sales tax) was refunded in cash to USAID on June 6, 2000. WPAU will adjust the cumulative expenditure column in the next certified fiscal report.



Audit of USAID Resources Managed by the Ministry of Water Resources and Irrigation (MWRI) / Water policy Advisory Unit (WPAU), under Project Implementation Letter (PIL) No. 3, USAID/ Egypt Project No. 263-0219.

Mission's Response

The subject audit report contains no recommendations for Mission action.